

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AID-20 EB-11 FSI-01 PM-07 INR-10 IO-14

L-03 NSAE-00 NSC-10 PA-04 RSC-01 DRC-01 DPW-01 PRS-01

OMB-01 SS-20 SSO-00 NSCE-00 INRE-00 /120 W

----- 123956

O R 311045Z OCT 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 8575

INFO AMEMBASSY BANGKOK

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PHNOM PENH

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMEMBASSY TEHRAN

AMCONSUL DANANG

AMCONSUL NHA TRANG

USDAO SAIGON

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CINCPAC

CINCPACAF

CO 7TH PSYOPS GP

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CINCUSARPAC
DEPCHIEF JUSMAAG

C O N F I D E N T I A L SECTION 1 OF 2 SAIGON 18765

E.O. 11652: GDS
TAGS: PINT PFOR ECON VS
SUBJECT. EMBASSY SAIGON'S MISSION WEEKLY FOR OCT 26-31, 1973

BANGKOK ALSO PASS OSA; DEP ALSO FOR AID/W; CINCPAC FOR POLAD;
DOD-PRO USAJFKCMA ATTN: ATCS-WL-DSA

THE EMBASSY SAIGON WEEKA IS BEING FILED ONE DAY EARLIER THIS WEEK
DUE TO THE NOVEMBER 1 RVN NATIONAL HOLIDAY. THE WEEKLY CEASEFIRE
ASSESSMENT WILL BE FILED AS USUAL NOVEMBER 1.

THE WEEK IN BRIEF

- ACTIVITY IN MR-1 AND MR-4 UNCHANGED; ACTION IN MR-2 AND
MR-3 DROPPED SHARPLY
 - MR-3 (MINH REPLACED); A NEW CORPS COMMANDER;
OTHER MILITARY CHANGES
 - MFA'S BUDGET PROPOSAL INCLUDES SIX NEW POSTS
 - BILATERALS; A SERIES OF WALK-OUTS AND TIME-OUTS
 - THE BACH MA BATTLE PROTESTED
 - A BETTER WATER WAY FOR THE DRV
 - DONG DEPARTS PRAGUE WITH WRITE-OFFS AND PLEDGES IN HIS POCKET
 - HANOI AND BUENOS AIRES TO HOST NEW AMBASSADORS
 - THE BUDGET IS BUDGED TO NEW HEIGHTS
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- PRICE INDEX STILL ON THE RISE -- 0.4 PERCENT
 - BLACK MARKET CURRENCY UP 16 PIASTERS; GOLD UP 1,000 PIASTERS
- 11 TAX COLLECTIONS JUMPED 20 PERCENT OVER FIRST NINE MONTHS

I. INTERNAL

A. THE CEASEFIRE

ACTIVITY IN MR-1 CONTINUED AT ROUGHLY THE SAME LEVEL.
NORTH OF THE HAI VAN PASS, THERE WAS SPORADIC FIGHTING IN THE BO
RIVER AREA SOUTHWEST OF HUE. SOUTH OF THE PASS, THE COMMUNISTS
CONTINUED TO TARGET BRIDGES ON PRINCIPAL LOC'S. ACTIVITY IN BOTH
MR-2 AND MR-3 DROPPED SHARPLY. IN MR-2, MOST INCIDENTS IN THE

NORTHERN PLATEAU REGION WERE MINOR. COASTAL BINH DINH AND PHU YEN SHARED IN THE ACTIVITY DIRECTED AGAINST LOC'S. AGAIN, THERE WAS NO DISCERNABLE PATTERN TO THE FIGHTING IN MR-3, WHERE REPORTED INCIDENTS WERE MINOR AND SCATTERED. BOTH THE PATTERN AND INTENSITY OF ACTIVITY IN MR-4 WERE UNCHANGED FROM LAST WEEK. FOR THE MOST PART, THE SOUTHERN DELTA REMAINED RELATIVELY QUIET. ARMED CONFLICT WHICH INCLUDED SEVERAL SIGNIFICANT CONTACTS, WAS CONCENTRATED IN THE KIEN PHONG-DINH TUONG AREA. ENEMY INITIATED ACTIVITY ALSO CONTINUES IN KIEN HOA, WHERE AN ARVN BATTALION WAS AIRLIFTED INTO MO CAY.

B. RVNAF COMMAND CHANGES

SEVERAL IMPORTANT RVNAF COMMAND CHANGES HAVE BEEN ANNOUNCED IN RECENT DAYS. THE MOST IMPORTANT WAS THE REPLACEMENT OF III CORPS MR-3 COMMANDER LTG NGUYEN VAN MINH BY LTG PHAM QUOC THUAN ON OCTOBER 29. THE TWO GENERALS ARE EXCHANGING JOBS, AND MINH HAS BEEN NAMED COMMANDANT OF THE THU DUC INFANTRY SCHOOL. LTC THUAN HAS ALSO RELINQUISHED HIS POSITION AS RVN REPRESENTATIVE ON THE TWO-POWER JOINT MILITARY COMMISSION (TPJMC). HIS DEPUTY AT THE TPJMC, BG PHAN HOA HIEP, REPLACED HIM OCTOBER 27.

BG LE VAN THAN, COMMANDER OF THE 1ST DIVISION, WILL BE SUCCEEDED BY THE DIVISION'S CURRENT DEPUTY COMMANDER, COL. NGUYEN VAN DIEM. THE CHANGE OF COMMAND IS TENTATIVELY SCHEDULED FOR OCTOBER 31. THAN WILL BE ASSIGNED TO THE NATIONAL MILITARY ACADEMY AT DALAT AS DEPUTY COMMANDANT.

LTG DUC QUOC DONG, COMMANDER OF THE AIRBORNE DIVISION FROM 1964 TO 1972 AND CURRENTLY A SPECIAL ASSISTANT AT THE DEFENSE MINISTRY
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HAS BEEN NAMED COMMANDANT OF THE NCO ACADEMY AT NHA TRANG.

LTG CAO HAO HON WILL MOVE FROM THE PRIME MINISTER'S OFFICE WHERE HE IS A SPECIAL ASSISTANT TO THE PRIME MINISTER (AND CONCURRENTLY CHIEF OF THE RECONSTRUCTION AND DEVELOPMENT COORDINATING CENTER) TO THE DEFENSE MINISTRY WHERE HE WILL BE ASSISTANT TO THE DEFENSE MINISTER (PRIME MINISTER KHIEM). HON REPLACES CHAU KIM NHAN, RECENTLY NAMED FINANCE MINISTER.

ON OCTOBER 19, COL. NGUYEN VAN MINH SUCCEEDED COL. TRAN THANH NHIEU AS KIEN PHONG PROVINCE CHIEF.

PART II. EXTERNAL

A. MINISTRY OF FOREIGN AFFAIRS (MFA) SUBMITS BUDGET REQUEST, WILL OPEN NEW POSTS

IN ITS BUDGETARY SUBMISSION FOR FY 1974 THE MFA INCLUDED A REQUEST FOR FUNDS TO OPERATE SIX NEW POSTS: AMMAN, TEL AVIV, TEHRAN, OTTAWA, VIENNA AND MONTREAL. OF THESE TEHRAN ALREADY HAS A GVN CHARGE IN PLACE AND A CHARGE-DESIGNATE HAS BEEN NAMED FOR AMMAN, BUT NO ACTION HAS BEEN TAKEN TO ESTABLISH MISSIONS AT THE REMAINING FOUR AND THE GVN AMBASSADOR IN LONDON REMAINS ACCREDITED TO VIENNA ON A NON-RESIDENT BASIS.

ASIDE FROM THESE NEW POSTS THE MFA WILL BE OPERATING AT ABOUT THE SAME RELATIVE LEVEL OF EXPENDITURE AS IN THE

LAST TWO YEARS. HOWEVER, ITS OVERSEAS INFORMATION ACTIVITIES
WILL BE INCREASED BY THE OPENING OF SPECIAL INFORMATION
OFFICES IN WASHINGTON, PARIS AND TOKYO, WHICH WILL BE UNDER
THE NATIONAL INFORMATION COMMISSION RATHER THAN THE MFA.

B. GVN/PRG BILATERALS

THE 29TH PLENARY SESSION OF THE GVN/PRG BILATERALS
CONSULTATIONS, WHICH WERE SET UP TO SEEK A POLITICAL
SETTLEMENT IN SOUTH VIET-NAM, TOOK PLACE ON OCTOBER 25
AFTER AN INTERRUPTION OF THREE WEEKS FOLLOWING A PRG WALKOUT
ON OCTOBER 4. THIS SESSION CONSISTED SOLELY OF MUTUAL
RECRIMINATIONS, EACH SIDE ACCUSING THE OTHER FOR THE

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AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA

AMCONSUL BIEN HOA

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CINCPAC
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C O N F I D E N T I A L SECTION 2 OF 2 SAIGON 18765

ESCALATIONS OF FIGHTING IN SOUTH VIET-ANM. THE PRG ANNOUNCED THAT THE NEXT SESSION WOULD BE HELD ON OCTOBER 31 BUT WALKED OUT BEFORE THE GVN COULD REPLY AND THE GVN DELEGATION MAY PROPOSE THAT THE NEXT SESSION BE POSTPONED UNTIL NOVEMBER 8.

C. GVN RELEASES DOCUMENTS ON COMMUNIST CEASEFIRE VIOLATIONS

ON OCTOBER 25 THE GVN RELEASED THE TEXT OF AN OCTOBER 19 NOTE TO THE SIGNATORIES OF THE INTERNATIONAL CONFERENCE ON VIET-NAM PROTESTING THE OCTOBER 12 COMMUNIST ATTACK ON BACH MA OUTPOST. ON OCTOBER 27 A MINISTRY OF FOREIGN AFFAIRS "DECLARATION" WAS RELEASED ITEMIZING AND PROTESTING THE ILLEGAL INTRODUCTION BY THE COMMUNISTS OF TROOPS AND WAR MATERIAL INTO SOUTH VIET-NAM.

D. YUGOSLAVIA AIDS HANOI.

VIETNAM NEWS AGENCY (VNA) REPORTED FROM HANOI ON OCTOBER 25 THAT YUGOSLAVIA HAS OFFERED THE DRV "A SUM OF MONEY" TO IMPROVE ITS WATER TRANSPORT SYSTEM.

E. DONG CONTINUES EASTERN EUROPEAN TOUR

DRV PREMIER PHAM VAN DONG LEFT PRAGUE ON OCTOBER 28 AFTER A SIX-DAY VISIT. AS WAS THE CASE IN EAST GERMANY, DONG'S ENTOURAGE SPENT MUCH OF THAT TIME TOURING THE COUNTRYSIDE. THE COMMUNIQUE ISSUED UPON THE CONCLUSION OF THE VISIT STATED THAT AGREEMENTS HAD BEEN REACHED ON CZECH ECONOMIC AND MILITARY ASSISTANCE TO THE DRV AND ON GOODS EXCHANGES AND PAYMENTS FOR 1974. FOLLOWING THE LEAD OF OTHER EASTERN EUROPEAN STATES, THE CZECHS AGREED TO WRITE OFF HANOI'S DEBTS, CONSIDERING PAST LOANS AS GIFTS. THE DRV PREMIER IS NOW IN ALBANIA. THE NEXT STOP ON HIS
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ITENERARY HAS NOT YET BEEN ANNOUNCED.

F. DRV-ARGENTINA ESTABLISH RELATIONS

NORTH VIET-NAM AND ARGENTINA ANNOUNCED ON OCTOBER 24 (BUENOS AIRES TIME) THAT THEY HAD AGREED TO ENTER DIPLOMATIC RELATIONS AT THE AMBASSADORIAL LEVEL. THE AGREEMENT WAS NEGOTIATED BETWEEN DRV MINISTER OF CULTURE HOANG MINH GIAM AND ARGENTINE FOREIGN MINISTER ALBERTO JUAN VIGNES. GIAM HAD GONE TO BUENOS AIRES TO RE-PRESENT THE DRV AT PRESIDENT PERON'S INAUGURATION. (COMMENT: THE TIMING OF THIS DEVELOPMENT IS FORTUNATE FOR HANOI, COMING BUT A FEW WEEKS AFTER IT WITHDREW ITS DIPLOMATS FROM CHILE WHICH WAS, AT THE TIME, THE DRV'S SOLE DIPLOMATIC POST IN SOUTH AMERICA. THE GVN ALSO MAINTAINS AN EMBASSY IN BUENOS AIRES, AND FOREIGN MINISTRY OFFICIALS HAVE TOLD US THAT THEY WERE NEITHER SURPRISED NOR PARTICULARLY DISTURBED BY THE GOA/DRV ANNOUNCEMENT. THE OFFICIALS GLEEFULLY POINTED OUT THAT THE VIET CONG'S SO-CALLED PROVISIONAL REVOLUTIONARY GOVERNMENT (PRG) WAS NOT REPRESENTED AT THE PERON INAUGURATION WHEREAS THERE WAS A HIGHLY VISIBLE AND VOCAL PRG CONTINGENT AT THE COMPARA CEREMONIES. THE GVN WAS INVITED TO BOTH INAUGURALS. END COMMENT).

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III. ECONOMIC

A. GENERAL

NATIONAL ASSEMBLY DELIBERATIONS ON THE PROPOSED CY 1974 NATIONAL BUDGET BEGAN THIS PAST WEEK. AS SUBMITTED BY THE EXECUTIVE BRANCH, THE PROPOSED BUDGET TOTALS VN\$ 630 BILLION. A SUPPLEMENTAL BUDGET REQUEST OF VN\$ 32 BILLION FOR CY 1973 WAS SUBMITTED SIMULTANEOUSLY. THE SUPPLEMENTARY REQUEST IS RESTRICTED ALMOST ENTIRELY TO COVERING THE RECENT PUBLIC SECTOR WAGE INCREASE PLUS SOME UNDERFUNDING OF PAY AND ALLOWANCES IN THE MINISTRY OF NATIONAL DEFENSE BUDGET. IF APPROVED, THE SUPPLEMENTARY REQUEST WILL BRING THE TOTAL APPROVED CY 1973 BUDGET TO VN\$ 467 BILLION. EXTRABUDGETARY EXPENDITURES, COMPRISED LARGELY OF EXPENDITURES AUTHORIZED UNDER THE RECONSTRUCTION, REHABILITATION AND DEVELOPMENT FUND INTRODUCED IN JUNE 1973, ARE EXPECTED TO

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RESULT IN TOTAL GOVERNMENT EXPENDITURES FOR 1973 OF ABOUT VN\$ 510 BILLION.

THE CY 1974 BUDGET PROPOSAL INCLUDES VN\$ 17 BILLION FOR REFUGEES AND VN\$ 25 BILLION FOR LAND DEVELOPMENT AND RESETTLEMENT. IT DOES NOT, HOWEVER, INCLUDE ANY PROVISIONS FOR A PUBLIC SECTOR WAGE INCREASE IN 1974 AND PROVIDES FOR ONLY MODEST INCREASES, IN REAL TERMS, FOR GOVERNMENT INVESTMENT, RECONSTRUCTION AND DEVELOPMENT EXPENDITURES. ADDITIONAL OUTLAYS FOR THOSE CATEGORIES ARE LIKELY TO BE UNDERTAKEN IN

SOME FASHION AS THE YEAR PROGRESSES.

IN OTHER DEVELOPMENTS, THE EXPANSION OF RICE RELEASES FROM GOVERNMENT STOCKS APPEARS TO HAVE STABILIZED RICE PRICES FOR THE TIME BEING. A SECOND 5,000 TONS OF RICE LOANED TO THE KHMER REPUBLIC BEGAN LOADING THIS WEEK.

NATIONAL BANK DATA, NOW AVAILABLE THROUGH OCTOBER 6, INDICATE THAT TOTAL PRIVATE SECTOR TERM DEPOSITS IN COMMERCIAL BANKS HAVE BEEN STABLE SINCE AUGUST RATHER THAN DECLINING AS EARLIER REPORTS FROM BANKING SOURCES HAD SUGGESTED. THIS STILL CONTRASTS WITH THE PATTERN OF GENERALLY STEADY INCREASES IN THESE DEPOSITS OVER THE FIRST SEVEN MONTHS OF THE YEAR. ADDITIONALLY, NON-BANK HOLDINGS OF TREASURY BONDS HAVE DECLINED 13 PERCENT SINCE AUGUST 31 AND AS OF OCTOBER 6 ARE AT APPROXIMATELY THE JUNE 30 LEVEL OF VN\$ 17.5 BILLION.

B. PRICES

WITH BLACK MARKET RICE PRICES UNCHANGED FOR THE WEEK, THE USAID SAIGON RETAIL PRICE INDEX ROSE 0.4 PERCENT. AN INCREASE OF 1 PERCENT IN THE NON-FOOD INDEX ACCOUNTED FOR THE RISE. THE OVERALL INCREASE IN THE INDEX BOTH FOR THE YEAR-TO-DATE AND FOR THE PAST TWELVE MONTHS IS 54 PERCENT.

C. BLACK MARKET CURRENCY AND GOLD PRICES

THE SHARP CLIMB IN BLACK MARKET CURRENCY PRICES HAS STILL NOT ABATED WITH THE QUOTE FOR US\$ 100 GREEN REACHING 592 ON OCTOBER 29, UP ANOTHER 16 PIASTERS SINCE OCTOBER 22. THE PRICE OF GOLD LEAF, WHICH HAD BEEN STABLE FOR SEVERAL WEEKS, ROSE 1,000 PIASTERS TO VN\$ 73,500 PER TAEI.

D. DOMESTIC TAX COLLECTIONS

DOMESTIC TAX COLLECTIONS OF THE DIRECTORATE GENERAL OF TAXATION (DGT) REACHED A NEW HIGH OF VN\$ 18 BILLION FOR SEPT
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AFTER A RATHER DISAPPOINTING TOTAL OF VN\$ 12.8 BILLION IN AUGUST. TOTAL DOMESTIC TAX RECEIPTS, INCLUDING RECEIPTS COLLECTED OUTSIDE DGT, ARE VN\$ 133 BILLION THROUGH SEPTEMBER. AFTER ADJUSTING FOR SOME RECLASSIFICATION OF REVENUES AND DISCOUNTING FOR INFLATION, THAT FIGURE REPRESENTS A REAL INCREASE OF 20 PERCENT OVER THE COMPARABLE TOTAL FOR THE FIRST NINE MONTHS OF 1972.
MARTIN

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TAGS: PINT, PFOR, ECON, VS, VN, AR
To: STATE INFO BANGKOK
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PHNOM PENH
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